

BEFORE THE TENNESSEE REGULATORY AUTHORITY AT

NASHVILLE, TENNESSEE

January 28, 2003

IN RE:

APPLICATION OF EVERCOM SYSTEMS, INC.
AND EVERCOM, INC. FOR EXPEDITED APPROVAL
OF THE INDIRECT TRANSFER OF CONTROL OF
EVERCOM SYSTEMS, INC. PURSUANT TO A
DEBT/EQUITY EXCHANGE BY EVERCOM, INC.

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) DOCKET NO.
) 02-01301
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ORDER APPROVING TRANSFER OF AUTHORITY

This matter came before Chairman Sara Kyle, Director Deborah Taylor Tate, and Director Pat Miller of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at the regularly scheduled Authority Conference held on January 6, 2003 for consideration of the *Application* filed by Evercom Systems, Inc. ("ESI") and Evercom, Inc. ("EI"), pursuant to the provisions of Tenn. Code Ann. § 65-4-113, for approval of a transfer of the authority to provide utility services currently held by Evercom Systems, Inc.

Requirement of and Standards for Authority Approval

Tenn. Code Ann. § 65-4-113 requires a public utility to obtain Authority approval to transfer its authority to provide utility services. Tenn. Code Ann. § 65-4-113(a) provides as follows:

- (a) No public utility, as defined in § 65-4-101, shall transfer all or any part of its authority to provide utility services, derived from its certificate of public convenience and necessity issued by the authority, to any individual, partnership, corporation or other entity without first obtaining the approval of the authority.

Tenn. Code Ann. § 65-4-113(b) provides the standards by which the Authority shall consider an application for transfer of authority, in pertinent part, as follows:

(b) Upon petition for approval of the transfer of authority to provide utility services, the authority shall take into consideration all relevant factors, including, but not limited to, the suitability, the financial responsibility, and capability of the proposed transferee to perform efficiently the utility services to be transferred and the benefit to the consuming public to be gained from the transfer. . . .

The Application

In the *Application*, which was filed on December 18, 2002, ESI and EI request Authority approval of an indirect transfer of control of ESI through the restructuring of EI. The *Application* states that this transfer will result from the restructuring and recapitalization of EI through an exchange offer with the holders of certain of its outstanding debt and a related merger.

According to the *Application*, ESI is a Delaware corporation that is a wholly-owned subsidiary of EI, also a Delaware corporation. ESI is authorized by the Authority to provide inmate telephone services throughout Tennessee, having received this authority by Order dated August 10, 1999 in Authority Docket No. 99-00502.

The *Application* states that in order to effect the restructuring of EI, two new Delaware corporations will be created. The two new entities, EI Merger Holdings, Inc. and EI Merger Sub, Inc., will initially be wholly-owned subsidiaries of EI, with EI Merger Sub, Inc. a wholly-owned direct subsidiary of EI Merger Holdings, Inc. EI, EI Merger Holdings, Inc. and EI Merger Sub, Inc. will enter into a reorganization agreement with holders of EI's 11% Senior Notes due 2007 with an aggregate principal amount of \$115,000,000 (the "Notes"). EI will commence an exchange offer of common stock of EI Merger Holdings, Inc. for up to all of the outstanding

Notes. Immediately after the closing of the exchange offer, EI will merge into EI Merger Sub, Inc. with EI as the surviving entity and a wholly-owned subsidiary of EI Merger Holdings, Inc. As a result of this restructuring, the holders of the Notes will own approximately ninety-eight percent (98%) of the common stock of EI Merger Holdings, Inc.

Public Interest Considerations

The *Application* states that the proposed transfer of control will be transparent and seamless to all customers of ESI. The *Application* further states that there will be no changes in the rates, terms, or conditions of ESI's services. According to the *Application*, the reorganization will strengthen both ESI and EI financially by retiring high interest debt obligations of EI and bringing additional financially sound stakeholders into EI.

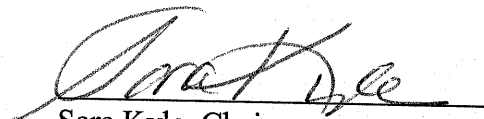
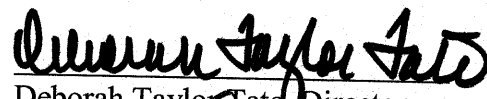
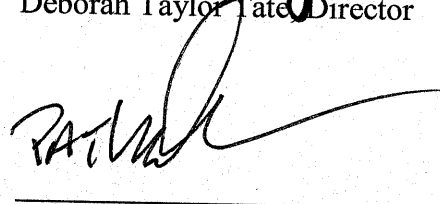
Findings

The voting panel considered this matter at the January 6, 2003 Authority Conference. Based upon careful consideration of the *Application* and of the entire record of this matter, the voting panel finds and concludes as follows:

1. The Authority has jurisdiction over the subject matter of this *Application* pursuant to Tenn. Code Ann. § 65-4-113;
2. Evercom Systems, Inc. has been granted authority to provide telecommunications services in Tennessee;
3. A reorganization of the parent company of Evercom Systems, Inc. will transfer control of this company from Evercom, Inc. to EI Merger Holdings, Inc., resulting in a transfer of the authority granted Evercom Systems, Inc. to provide utility services; and
4. The transfer of authority will benefit the consuming public.

IT IS THEREFORE ORDERED THAT:

The *Application* of Evercom Systems, Inc. and Evercom, Inc. for approval of the transfer of authority described herein is approved.


Sara Kyle, Chairman
Deborah Taylor Tate, Director
Pat Miller, Director